

# Stratford CIL Examination Hearing

## IM Properties - Briefing Note: Additional Evidence

19 December 2016

### Opening Comments to Examiner

- Latest evidence from SDC/PBA for GLH does not remove IM's objection.
- Lateness in circulation is, in itself, grounds for formal adjournment of Hearing.
- Reviewed and established flawed. Enabled swift preparation of rebuttal evidence.
- Significant errors, omissions and inconsistencies remain in SDC/PBA evidence.
- Oscillation in PBA/SDC rates and appraisal for strategic sites is farcical.
- Question whether mistakes genuine errors or intentional, tactical and political.
- Strongly advocate Examiner considers strategic site matters first given importance.

### Flaws of Latest PBA/SDC Appendix F Appraisal of GLH (received 16-12-16)

#### 1. GLH Sales rate artificially increased in PBA App F Revised GLH Appraisal:

- Raised to 17.5 units pcm or 211 sales per year (require 4x developers to deliver 53 units p/a each from day 1).
- Now runs from 2017 – 2031 (14-15 years). Previous ran to 2034 (17-18 years). Has PBA 'forgotten' to add the 3 years back onto the trajectory?
- Artificial change to accelerate sales. Consider error. Reduced the time period for sales from 204 months to 171 months. Reduces finance costs.
- No evidence to support. Inconsistent with PBA's previous evidence in ALL GLH APPRAISALS (see Table 3.3 on p.8 of EBD21. Appendix F previously utilised 14.7 units pcm (176 pa) (req. 4x developers to deliver 44 units p/a each from day 1).
- 176 dpa is still an ambitious target for delivery within the Local Plan

**2. Timescale for GLH site acquisition costs, purchasers costs and ‘opening up costs’ still inconsistent with all other PBA Appendix F appraisals:**

- Timescale now set for costs to be incurred over first 95 months. This is 56% of the total shortened trajectory.
- This error has not been resolved. The timescale should be brought in to 50% of the construction/sales periods as for all other Appendix F sites (i.e. 85 months).
- The impact of this inconsistent approach for GLH is that the cost of financing land acquisition and opening up infrastructure is being spread over an artificially longer period within the GLH appraisal, which is resulting in a lower interest cost.

**3. Timescale for S106 / S278 Costs to be ‘triggered’ is no longer correct (too short):**

- Note – pleased that PBA/SDC has incorporated the S106/S278 cost of £41,732,000 (£13,910.67/unit) agreed between SDC and IM following the previous Hearing.
- PBA/SDC has broadly incorporated the costs to be incurred at the ‘trigger’ points in the trajectory (linked to unit occupations) as agreed with IM following the previous Hearing. However, these have been included on the basis of a trajectory assuming sales over a period of 204 months (i.e. 176dpa).
- If PBA/SDC now believe GLH to be delivered over a sales period of 171 months (i.e. 211dpa), this will result in the triggers for S106/S278 sought by SDC actually moving forward (as occupations occur more swiftly).
- IM has re-run the S106/S278 timescale to sensitivity test this, as it will result in a higher interest cost than allowed by SDC/PBA. The revised timescale is shown in Table 1 overleaf.

**Table 1: GLH – S106/S278 Cost Triggers Correctly Applied to Shortened PBA Delivery Timescale**

<b>Agreed IM &amp; SDC S106/S278 Triggers (Previous Delivery Trajectory)</b>				
<b>Yr</b>	<b>Occupations</b>		<b>Total (£)</b>	<b>Total (%)</b>
	<b>Annual</b>	<b>Cumulative</b>		
0	88	88	£3,896,000	9.3%
1	176	265	£3,846,000	9.2%
2	176	441	£3,744,000	9.0%
3	176	618	£11,596,000	27.8%
4	176	794	£5,210,000	12.5%
5	176	971	£1,944,000	4.7%
6	176	1,147	£2,727,000	6.5%
7	176	1,324	£294,000	0.7%
8	176	1,500	£3,469,000	8.3%
9	176	1,676	£500,000	1.2%
10	176	1,853	£1,749,000	4.2%
11	176	2,029	£1,875,000	4.5%
12	176	2,206	£294,000	0.7%
13	176	2,382	£0	0.0%
14	176	2,559	£294,000	0.7%
15	176	2,735	£294,000	0.7%
16	176	2,912	£0	0.0%
17	88	3,000	£0	0.0%
<b>Total</b>	<b>3,000</b>	<b>3,000</b>	<b>£41,732,000</b>	<b>100%</b>

<b>Latest Evidence Submitted by PBA/SDC Timescale with Corrected S106/S278 Triggers</b>				
<b>Yr</b>	<b>Occupations</b>		<b>Total (£)</b>	<b>Total (%)</b>
	<b>Annual</b>	<b>Cumulative</b>		
0	105	105	£3,896,000	9.3%
1	211	316	£4,215,000	10.1%
2	211	526	£12,961,000	31.1%
3	211	737	£7,364,000	17.6%
4	211	947	£1,600,000	3.8%
5	211	1158	£3,221,000	7.7%
6	211	1368	£294,000	0.7%
7	211	1579	£3,175,000	7.6%
8	211	1789	£794,000	1.9%
9	211	2000	£1,749,000	4.2%
10	211	2211	£1,875,000	4.5%
11	211	2421	£294,000	0.7%
12	211	2632	£294,000	0.7%
13	211	2842	£0	0.0%
14	158	3000	£0	0.0%
<b>Total</b>	<b>3,000</b>	<b>3,000</b>	<b>£41,732,000</b>	<b>100%</b>

#### 4. Developer's profit drawdown for GLH still inconsistent with all other Appendix F appraisals for every typology:

- GLH Appraisal F still draws down all profit at 2 months at end of appraisal (i.e. in 2031). This assumes no profit returned to developers until then.
- All other Appendix F typologies, including strategic sites, draw down profit throughout sales period, which is more realistic and reflects developer's actual practice.
- This is resulting in a substantially lower interest cost for GLH, which remains fundamentally wrong.

#### 5. Sales Values:

- Note that PBA reduced OM houses to £3,133/m<sup>2</sup> in line with their evidence.
- Whilst IM still consider the evidence in 'Appendix A' to be flawed and comment on this further below, it is pleasing PBA is now running their appraisal consistently with their evidence on this matter.
- Having reviewed Appendix A in further detail, IM considers there to be several errors in PBA's calculation of the average sales price of the comparable properties listed:
  - PBA has calculated the average of each of the average £/sqm unit prices. This is a mathematical error that is distorting the stated £/sqm average result.
  - The correct approach to calculate the average £/m<sup>2</sup> of the Appendix A sample is achieved by adding up the total sales values for the units to establish a 'grand total' and to divide this sum by the 'grand total' sqm for all the units in the sample.
  - This gives a correct £/sqm rate of **£3,200.81/sqm**.
  - Once 5% (or £160.04/sqm) is deducted for incentives/negotiations, this provides an average 'assumed achieved price' of **£3,040.77/sqm**.
  - This figure is the correct figure that PBA/SDC should apply in the GLH appraisal drawing on their own evidence base.
  - The calculation is shown in Table 2 overleaf.

Table 2: Appendix A – IM’s Corrected Analysis of Asking Prices – PBA’s ‘GLH Comparables’

Appendix A - Corrected Analysis of Asking Prices - 'GLH Comparables'					
Scheme	Developer	Beds	Sales	Sqm	£/Sqm
<b>Wellesbourne, Warwickshire</b>					
<b>Ettington Park</b>		<b>Charles Church</b>			
The Hatfield - Correct Unit Size (from Developer)		4	£359,995	112	£3,214
<b>Warwick</b>					
<b>Beumont Meadow</b>		<b>Taylor Wimpey</b>			
		5	£434,995	147	£2,959
		4	£429,995	141	£3,050
		3	£389,995	135	£2,889
		4	£369,995	107	£3,458
		3	£259,995	84	£3,095
<b>Warwick Gates</b>		<b>DWH</b>			
Irving		4	£394,995	105	£3,774
Buckingham		5	£640,995	218	£2,939
Litchfield		5	£681,995	235	£2,907
<b>The Fairways</b>		<b>Bovis</b>			
Litchfield		3	£309,995	86	£3,624
Sherringham		3	£319,995	82	£3,890
Epsom		3	£324,995	86	£3,799
Malmesbury		3	£329,995	84	£3,912
Leamington		3	£339,995	96	£3,548
Canterbury		4	£414,995	118	£3,523
Harbury		4	£459,995	157	£2,921
<b>Chase Meadow</b>		<b>Bellway</b>			
		4	£398,750	122	£3,279
		5	£585,995	207	£2,830
<b>Farrington Close</b>					
		4	£365,000	120	£3,042
<b>Average Asking Prices</b>			<b>Total</b>	<b>Total</b>	<b>Average</b>
			£7,812,665	2441	£3,200.81
<b>Discounting (incentives / negotiation (Asking to Sales))</b>				5.0%	£160.04
<b>Assumed Sales Prices (Asking Prices -5%)</b>					<b>£3,040.77</b>

<b>£3,298</b>	<b>Average of an Average Distortion (using same numbers)</b>
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## 6. Revised GLH Appraisal

- IM has prepared a revised GLH Appraisal.
- This takes into account the altered sales rate proposed by PBA/SDC, but ensures the cashflow for S106/S278 reflects the 'triggers' agreed with SDC.
- In addition, developer's profit, site acquisition costs, purchasers costs and 'opening up costs' are adjusted so the approach for GLH is consistent with all other Appendix F appraisals prepared by PBA.
- The corrected open market sales price for housing of £3,040.77/sqm is also applied.
- The appraisal ('GLH 2') results are shown in Table 3 below.
- This re-confirms, using SDC's and PBA's own corrected evidence, that there is no headroom for CIL at GLH.

**Table 3: GLH Appraisal 2: CIL Result Table**

Net site area	Floor-space (total)	Floor-space (CIL Liable)	Residual Land Value	Bench-mark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
					Per Ha	Per Sqm (Total)	Per Sqm (CIL Liable)	£/sqm (SDC & PBA)	Buffer (%)
75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.74	-£36.95	£110	N/A

### Contact



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## **Annex 1: Revised GLH Appraisal (App 2)**









Gaydon-Lighthorn GLH 3,000 Units Appraisal GLH 2									
ITEM	Residual Value			Matthew Spilsbury:			Matthew Spilsbury:		
Net Site Area (Ha)	75.34	Greenfield	Strategic Site	Residual value per net Ha is substantially reduced with corrected cashflow. Falls to £551k per Ha, showing no CLT headroom as falls below £640k/ha.			Utilises corrected open market values as concluded within Appendix A of PBA Review document. This represents their evidenced assessment of achievable sales prices (instead of asking prices).		
Stamp Duty	New			£551,128 per net ha					
Nr of units	Private 1950.00	Affordable 1050.00		Social Rent 630	Affordable Rent 210	Intermediate 210	60%	20%	20%
<b>1.0 Development Value</b>									
1.1 Private Units	No. of units: 97.50, Size sq.m: 56.10, Total sq.m: 5,470			£pm: £1,193			Total Value: £11,311,169		
1.2 Social Rent	No. of units: 110.25, Size sq.m: 96.10, Total sq.m: 6,185			£pm: £900			Total Value: £10,153,117		
1.3 Affordable Rent	No. of units: 36.75, Size sq.m: 56.1, Total sq.m: 2,062			£pm: £1,612			Total Value: £11,591,475		
1.4 Intermediate	No. of units: 36.75, Size sq.m: 80.0, Total sq.m: 2,942			£pm: £2,053			Total Value: £14,762,727		
<b>2.0 Development Costs</b>									
2.1 Site Acquisition	SDLT 4.97%			Purchaser Costs 1.75%			6.72%		
2.2 Site Costs	Build costs as per PBA recommendation in their Appendix B'								
2.3 Private Units	Unit sizes aligned with PBA's figures			Cost per sq.m: £1,176.71			Total Costs: £7,572,129		
2.3.2 Affordable Units	Unit sizes aligned with PBA's figures			Cost per sq.m: £1,176.71			Total Costs: £12,703,511		
2.4 Extra Over Construction Costs	Retained at 10% of base build costs in line with PBA recommendation			Kept just on build cost as PBA					
2.4.1 External	10% on build cost								
2.4.2 Site Abnormals (remediation / demolition)	£0 per net ha								
2.4.3 Site Opening Up Costs	£17,403 per unit			Timescale amended to 50% of development - in line with appraisals for PBA's other typologies					
2.5 Professional Fees	Professional fees applied to base build cost only as per PBA recommendation			Professional fees applied to base build cost only as per PBA recommendation					
2.6 Contingency	Higher Housing Cost is only applied to base build costs - as per PBA recommendation.			Contingency applied to base build cost only as per PBA recommendation					
2.7 Developer Contributions	CIL is not included in the cashflow as per PBA's recommendation.			Timing of S106/S278 cost is now as per agreed triggers in IDP between SDC and IM following CL Examination. Updated to reflect shortened delivery period.					
2.7.1 Lifetime Homes	£0 per unit								
2.7.2 Higher Housing Cost	2.50% per unit								
2.7.3 CL	£0 per sqm (OM only)								
2.7.4 S106 / S278	£15,910.67 per unit								
2.8 Sale Cost	Consistent with PBA - only on open market houses			3.00% on OM GDV					
<b>3.0 Developer's Profit</b>									
3.1 Private Units	Cashflow corrected to be consistent with other site typologies tested by PBA. Now drawn down over sales period.			20% on OM GDV					
3.2 Affordable Units	6% on AH transfer values								
<b>4.0 Finance Costs</b>									
4.1 Finance	Finance at 6.5% as per PBA			APR 6.50%			PCM 0.26%		

	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66
	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Total Value	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970	71,970
Stamp Duty	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911	970,911
Social Rent	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808	1,266,808
Affordable Rent	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353	870,353
Intermediate	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553	32,553
Private Units	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377	14,377
Social Rent	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375
Affordable Rent	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786	67,786
Intermediate	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629	18,629
Site Acquisition	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814	482,814
Site Costs	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282	515,282
Private Units	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281	44,281
Affordable Units	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454	83,454
Extra Over Construction Costs	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166	161,166
Professional Fees	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258	768,258
Contingency	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583	80,583
Developer Contributions	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292	40,292
Sale Cost	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667	613,667
TOTAL DEVELOPMENT COSTS (including land)	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312	3,886,312
Developer's Profit	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008	636,008
Affordable Units	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608	43,608
TOTAL PROJECT COSTS (EXCLUDING INTEREST)	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929	4,565,929
TOTAL INCOME - TOTAL COSTS (EXCLUDING INTEREST)	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088	-659,088
Finance	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388	-53,024,388
TOTAL PROJECT COSTS (INCLUDING INTEREST)	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930	4,844,930
PROJECT BALANCE	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0

Site	Appraisal	Net site area	Floorspace (total)	Floorspace (CL Liab)	Residual Land Value	Benchmark Land Value	Maximum CL Headroom	PBA SCS CL Rate			
		Ha	Sqm	Sqm	Per Ha	Per Ha	Per Sqm (Total)	Per Sqm (CL Liab)	£/sqm (Proposed)	Buffer (%)	N/A
GLH	Appraisal GLH 2	75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.74	-£36.95	£110.00	











